



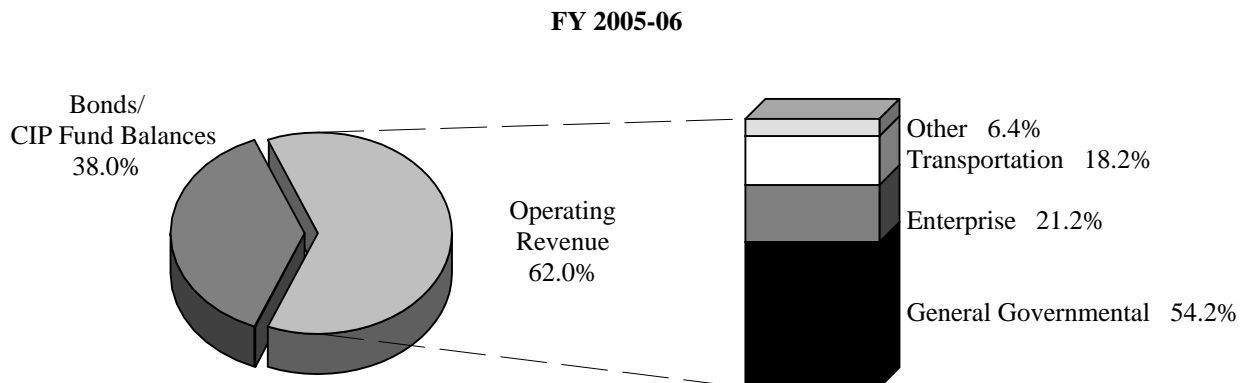
Revenue Information

The following section summarizes assumptions, trends, major influences, restrictions and composition of the City's revenue sources.

Total Revenue

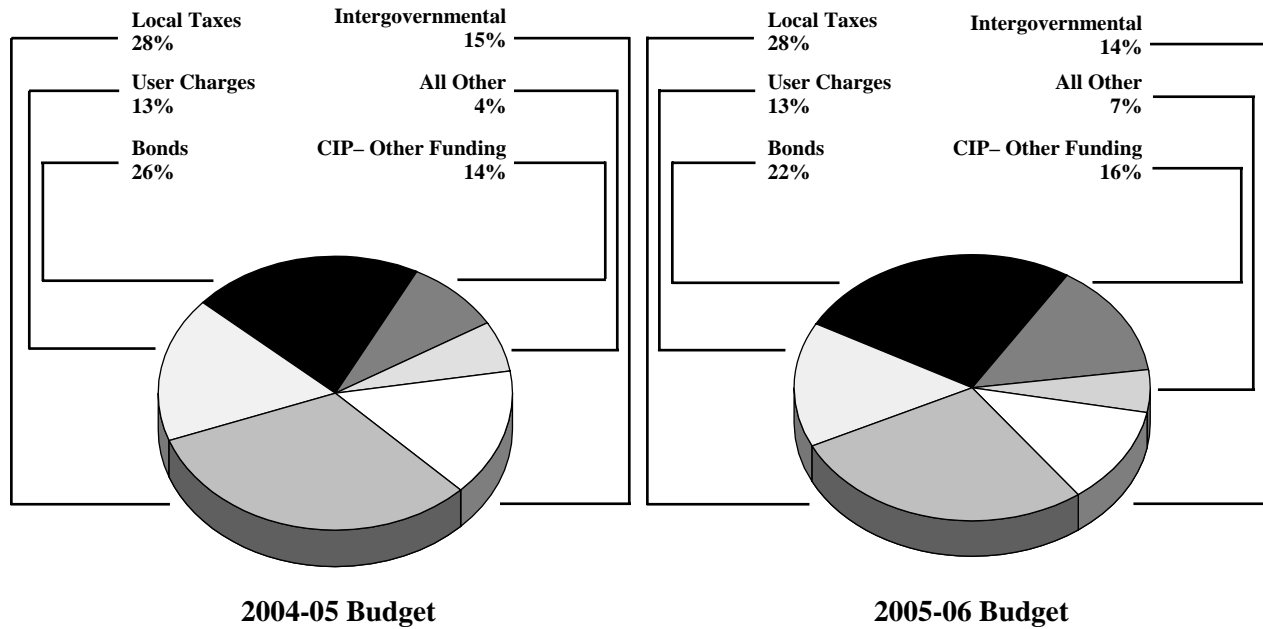


Total revenue for FY 2005-06 is \$465.3 million reflecting \$287.2 million in operating revenue and \$178.1 million from bond proceeds, fund balances and other funding sources. The FY 2005-06 operating revenue total represents 8.8% growth over the FY 2004-05. The growth in operating revenue sources is indicative of recent economic improvement from the 2001 recession, while the increase in bonding and other funding sources is directly related to the growth in the budget.



TOTAL REVENUE		
	2004-05 Budget	2005-06 Budget
OPERATING REVENUE		
General Governmental		
Local Taxes, Licenses and Permits, and Debt	\$89,638,845	\$98,221,427
Intergovernmental	33,897,635	38,239,707
Charges for Services	7,519,651	7,477,396
Miscellaneous	10,188,871	11,719,000
Transportation/Transit	46,377,633	52,247,245
Performing Arts	5,533,300	5,881,072
CDBG/Section 8 Housing	11,712,361	11,731,640
Rio Salado Special Revenue	602,204	735,500
Enterprise	58,484,714	60,964,340
TOTAL OPERATING REVENUE	\$263,955,214	\$287,217,327
Operating Revenue Per Capita	\$1,641	\$1,777
Bond/Note Proceeds	113,032,768	102,302,061
CIP Other Funding	40,517,237	49,149,034
Fund Balances	19,609,521	26,601,027
TOTAL REVENUE	\$437,114,740	\$465,269,449
Total Revenue Per Capita	\$2,718	\$2,879

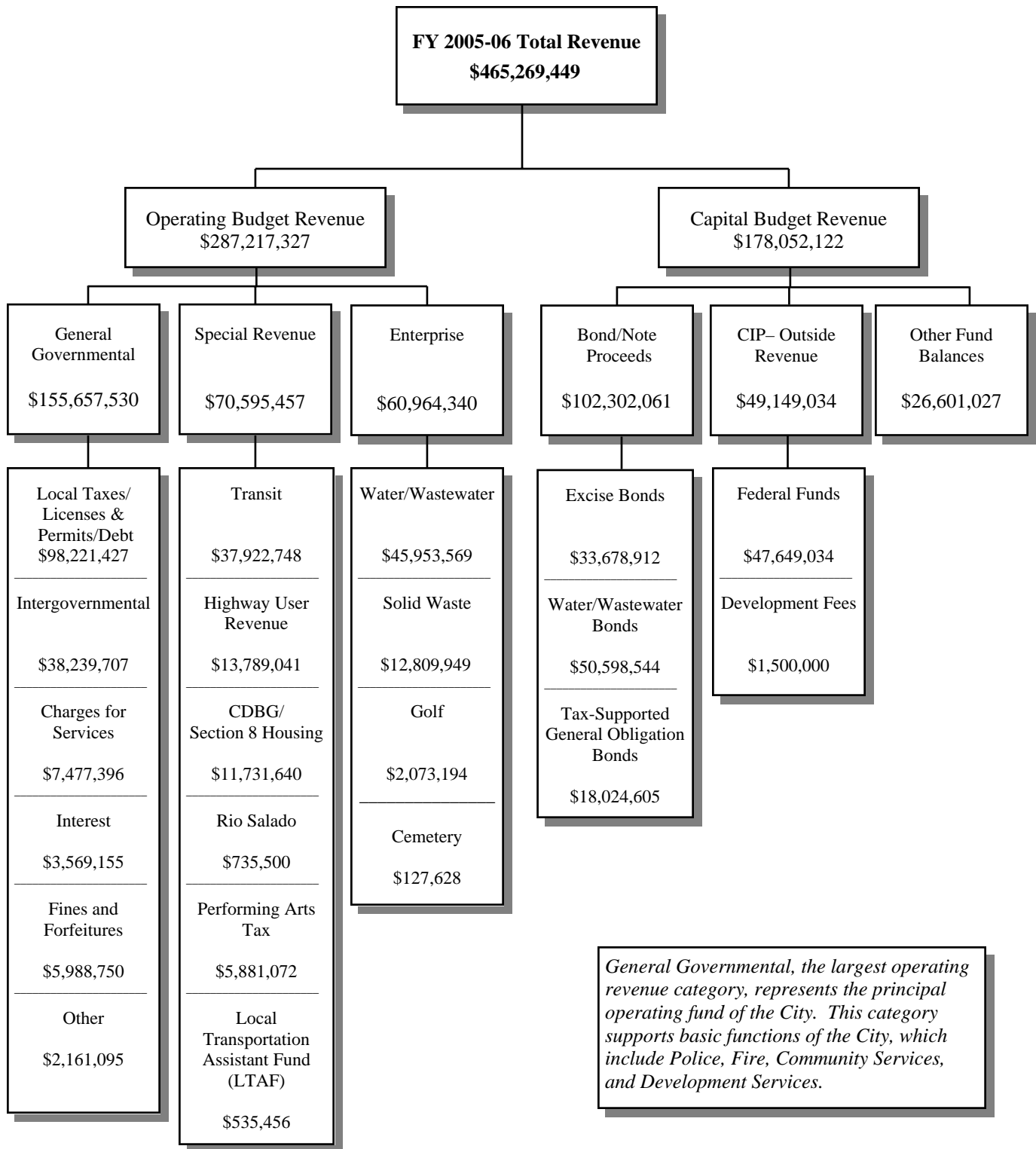
Total Revenue by Source



Where the Money Comes From

Revenue Source	2003-04 Actual	2004-05 Budget	2004-05 Revised	2005-06 Budget
Local Taxes				
Local Sales Taxes	\$60,926,575	\$60,150,000	\$64,254,000	\$66,170,000
Transit Tax	26,740,623	26,858,153	27,102,000	27,996,400
Other Local Taxes	26,726,778	28,848,868	28,603,768	31,536,127
Performing Arts	5,279,580	5,343,800	5,420,000	5,599,500
User Charges				
Water/Wastewater	41,081,390	42,847,966	42,783,898	43,943,620
Solid Waste	9,905,810	9,900,000	10,660,901	11,456,951
Community Services	5,113,578	5,238,551	5,197,133	5,012,896
Building/Trades & Planning/Zoning	2,642,589	2,281,100	2,470,550	2,464,500
Intergovernmental				
State-Shared Revenue	34,076,257	33,897,635	34,761,000	38,239,707
HURF/LTAF	11,827,540	11,739,643	11,981,815	12,737,393
CDBG/Section 8 Housing	11,158,504	11,712,361	11,712,361	11,731,640
Transit State & Federal	6,579,945	5,955,394	6,602,928	6,368,909
All Other				
Interest Revenue	6,629,684	4,985,544	5,712,298	6,571,467
Miscellaneous Revenue	6,036,705	7,788,984	8,314,382	10,284,567
Fines and Forfeitures	5,858,482	5,292,138	5,886,372	6,012,750
Licenses and Permits	1,079,490	1,115,077	1,071,694	1,090,900
Bonds/Note Proceeds	77,971,520	113,032,768	113,032,768	102,302,061
CIP - Outside Revenue	8,049,874	40,517,237	40,517,237	49,149,034
Other - Fund Balance	526,269	19,609,521	19,609,521	26,601,027
Total Revenue	\$348,211,193	\$437,114,740	\$445,694,626	\$465,269,449

Components of Total Revenue



Comparative Operating Revenue by Major Source and Fund



Revenue Source	2003-04 Actual	2004-05 Budget	2004-05 Revised	2005-06 Budget
General Fund				
Local Taxes				
City Sales Tax	\$60,926,575	\$60,150,000	\$64,254,000	\$66,170,000
Primary Property Tax	8,251,333	8,700,091	8,700,091	9,345,934
Transient Lodging Tax	2,277,294	2,250,000	2,354,000	2,402,000
Franchise Fees	1,505,133	1,732,700	1,297,700	1,328,567
<i>Total Local Taxes</i>	72,960,335	72,832,791	76,605,791	79,246,501
Intergovernmental Revenue				
State Sales Tax	13,345,152	13,697,342	14,074,950	15,538,331
State Income Tax	14,303,004	14,600,293	14,586,050	16,601,376
Vehicle License Tax	6,428,101	5,600,000	6,100,000	6,100,000
<i>Total Intergovernmental</i>	34,076,257	33,897,635	34,761,000	38,239,707
Building & Trades/Planning & Zoning	2,642,589	2,281,100	2,470,550	2,464,500
Cultural and Recreational				
Registration Fees	3,868,210	4,017,400	4,113,729	3,913,300
Recreation Admission Charges	297,467	295,200	495,248	295,200
Library Fines and Fees	408,808	462,451	333,722	345,196
Other Cultural and Rec Fees	539,093	463,500	254,434	459,200
<i>Total Cultural and Recreational</i>	5,113,578	5,238,551	5,197,133	5,012,896
Fines, Fees and Forfeitures				
Traffic Fines	1,531,611	1,440,000	1,500,000	1,520,000
Criminal Fines	1,016,539	864,000	1,016,000	992,000
Parking Fines	468,363	422,000	468,400	520,000
Other Fines, Fees and Forfeitures	2,841,969	2,566,138	2,901,972	2,980,750
<i>Total Fines, Fees and Forfeitures</i>	5,858,482	5,292,138	5,886,372	6,012,750
Business/Non-Business Licenses	1,079,490	1,115,077	1,071,694	1,090,900
Other Revenue Sources				
SRP Payment in Lieu of Taxes	443,299	500,000	500,000	500,000
Interest Income	2,763,994	2,188,068	2,880,044	3,569,155
Other Miscellaneous Revenue and Loan	2,255,213	2,708,665	2,247,007	2,137,095
<i>Total Other Revenue</i>	5,462,506	5,396,733	5,627,051	6,206,250
Total General Fund	127,193,237	126,054,025	131,619,591	138,273,504
Debt Service Fund				
Secondary Property Tax	13,059,814	14,517,177	14,517,177	16,707,531
SRP Payment in Lieu of Taxes	650,879	673,800	673,800	676,495
Total Debt Service Fund	13,710,693	15,190,977	15,190,977	17,384,026



Revenue Source	2003-04 Actual	2004-05 Budget	2004-05 Revised	2005-06 Budget
Transit Fund				
Transit Tax	26,740,623	26,858,153	27,102,000	27,996,400
Lottery Transfer In	281,938	285,700	271,000	263,730
ASU-Flash Transit	481,476	386,252	477,623	496,403
Interest Income	1,546,797	1,061,807	1,422,012	1,690,921
Federal and State Funding	6,098,469	5,569,142	6,125,305	5,872,506
Miscellaneous Revenue	32,886	762,636	658,560	1,602,788
Total Transit Fund	35,182,189	34,923,690	36,056,500	37,922,748
Transportation Funds				
Highway User Revenue Tax	10,981,726	10,903,791	11,160,663	11,938,207
Maintenance of Effort				1,850,000
State Lottery Proceeds	563,876	550,152	550,152	535,456
Other Revenue	2,905		834	834
Total Transportation Funds	11,548,507	11,453,943	11,711,649	14,324,497
Rio Salado Fund				
City Sales Tax	341,156	223,000	353,000	364,600
Transient Lodging Tax	135,805	159,500	140,000	143,000
Primary Property Tax	62,065	92,600	68,000	68,000
Interest Income	134,803	77,554	130,000	100,000
Miscellaneous Revenue	65,454	49,550	849,012	59,900
Total Rio Salado Fund	739,283	602,204	1,540,012	735,500
Performing Arts				
Performing Arts Tax	5,279,580	5,343,800	5,420,000	5,599,500
Interest Income	233,837	189,500	237,524	281,572
Total Performing Arts	5,513,417	5,533,300	5,657,524	5,881,072
Total CDBG/Section 8 Housing Funds	11,158,504	11,712,361	11,712,361	11,731,640
Solid Waste Fund				
Residential Service	5,849,909	5,800,000	6,379,778	6,783,831
Commercial Service	4,055,901	4,100,000	4,281,123	4,673,120
Roll-Off Service	899,576	915,000	907,579	967,489
Recycling	64,887	60,400	190,000	140,000
Sludge Disposal	144,676	108,900	90,000	95,000
Interest Income	22,629	21,709	26,633	30,509
Other Miscellaneous Revenue			224,175	120,000
Total Solid Waste Fund	11,037,578	11,006,009	12,099,288	12,809,949



Revenue Source	2003-04 Actual	2004-05 Budget	2004-05 Revised	2005-06 Budget
Water/Wastewater Fund				
Charges for Service-Water				
Water Consumption	17,131,548	17,461,525	17,344,751	17,842,578
Water Service	6,515,137	6,570,358	6,671,685	6,854,390
Irrigation	296,220	279,500	303,412	313,412
Other Water Charges	974,608	1,637,079	1,567,396	1,582,046
<i>Total Charges for Service-Water</i>	24,917,513	25,948,462	25,948,462	26,592,426
Charges for Service-Wastewater				
Sewer Usage	10,200,476	9,901,335	10,412,656	10,696,652
Sewer Service	5,839,617	5,852,378	6,026,197	6,272,609
Other Wastewater Charges	123,784	1,145,791	396,583	381,933
<i>Total Charges for Service-Wastewater</i>	16,163,877	16,899,504	16,835,436	17,351,194
Interest Income	1,911,997	1,436,417	1,004,450	886,116
Land and Facility Rental	520,000	520,000	520,000	520,000
Loan Repayment from General Fund	542,833	542,833	542,833	542,833
Other Miscellaneous Revenue	(511,857)	61,000	61,000	61,000
Total Water/Wastewater Fund	43,544,363	45,408,216	44,850,963	45,953,569
Golf Fund				
Greens Fees	1,800,754	1,850,000	1,850,000	1,850,000
Pro Shop and Restaurant Revenue	219,378	210,000	210,000	210,000
Interest Income	15,627	10,489	11,635	13,194
Total Golf Fund	2,035,759	2,070,489	2,071,635	2,073,194
Cemetery Fund				
Lot & Burial Sales				127,628
Total Cemetery Fund				127,628
Total Revenue - All Funds	\$261,663,530	\$263,955,214	\$272,535,100	\$287,217,327

City Sales Tax



Restrictions	Fiscal Year	Amount	Percent Change
Current rate of 1.8% can be increased only by electorate.	1995-96 ¹	48,488,111	(2.3)
Proceeds are pledged as security for bond payments due under various bond security agreements. Revenue from a voter-approved 0.5% portion are dedicated to transit purposes and 0.1% dedicated funding for Performing Arts. In addition, all transaction privilege tax revenue generated in the Rio Salado Enterprise Fund Zone are deposited to the Rio Salado Fund for the operating expenses of the Rio Salado project.	1996-97	50,495,336	4.1
	1997-98	57,283,547	13.4
	1998-99	60,100,000	4.9
	1999-00	59,967,700	(0.2)
	2000-01	63,602,106	6.1
	2001-02	59,991,774	(5.7)
	2002-03	59,855,000	(0.2)
	2003-04	60,926,575	1.8
¹ During 1995, Governmental Accounting Standards Board (GASB) Statement No. 22 required revenue from taxpayer-assessed taxes to be recognized in the accounting period in which they become susceptible to accrual. This resulted in 13 months being recorded in FY 1994-95.	2004-05 est.	64,254,000	5.5
	2005-06 est.	66,170,000	3.0
Account: 4001			

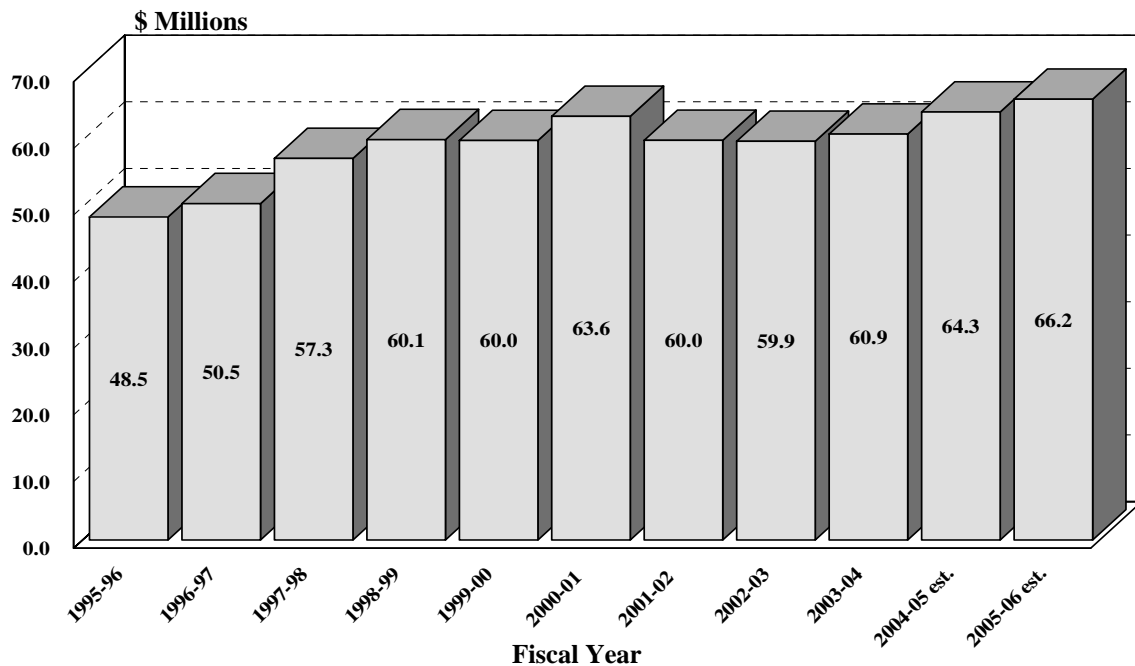
Assumptions

The City sales tax, known formally as the transaction privilege tax, is derived from a 1.8% tax on a variety of financial transactions, including retail sales, rental payments, contracting sales, utility, telecommunications payments, and hotel/restaurant sales. In FY 1993-94, voters approved a 0.2% increase from 1.0% to 1.2%. Additional increases of 0.5% (September 1996) and 0.1% (January 2001), are devoted to transit and performing arts needs and are not reflected in the amounts above.

A downturn in the national economy accounts for the 2001-03 reduction in sales tax collections. The City has fully recovered from this downturn and our FY 2005-06 projection is at its highest level to date for collections.

Major Influences: Taxable Sales, Population, and Consumer Price Index

City Sales Tax



City Property Tax



Restrictions	Fiscal Year	Amount	Percent Change
Primary Levy: Limited to annual increase of 2% plus amount generated by new construction. No restriction on usage.	1995-96	12,297,510	8.7
	1996-97	12,808,631	4.2
	1997-98	13,832,004	8.0
	1998-99	15,172,288	9.7
	1999-00	16,561,936	9.2
Secondary Limit: Restricted for debt service purposes only. No limit on rate.	2000-01	18,414,400	11.2
	2001-02	18,864,580	2.4
	2002-03	20,238,875	7.3
	2003-04	21,373,212	5.6
	2004-05 est.	23,285,268	8.9
	2005-06 est.	26,121,465	12.2
Account: 4012			

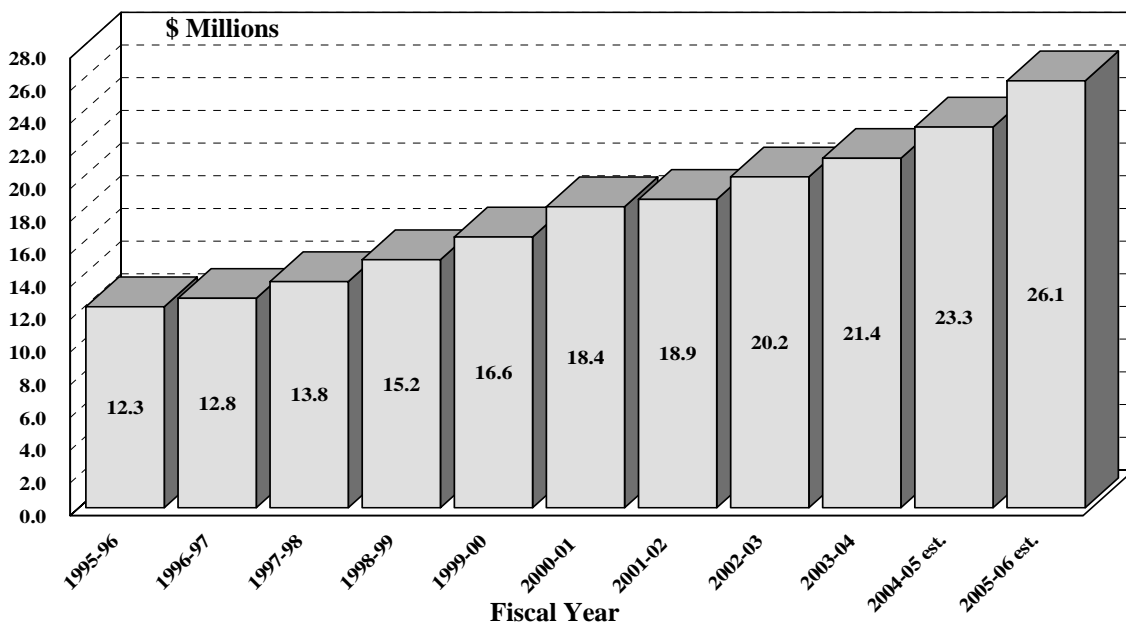
Assumptions

The City's property tax is levied based on the full cash value of property from the previous February 10th as determined by the Maricopa County Assessor, whose office both bills and collects all property taxes. Changes in total revenue collected during these years have been the result of state policy affecting assessed valuations, assessed valuation growth, and new development.

The combined primary and secondary property tax rate for FY 2005-06 will total \$1.40 per \$100 assessed valuation, consisting of \$0.52 per \$100 of primary assessed valuation for operating and maintenance costs and \$0.88 per \$100 of secondary assessed valuation to fund principal and interest payments on bonded indebtedness. The City held the aggregate property tax rate at \$1.35 for five fiscal years before increasing it by \$0.05 in FY 2005-06 to \$1.40. The full amount of the increase was applied to the secondary, with the intent that the additional revenue generated be dedicated to repay debt for new public safety communication projects. For FY 2005-06, assessed valuation growth is in accordance with the County's biennial valuation methodology. These proceeds will go to different funds; primary levy of \$9.7 million goes to the General fund and the secondary levy of \$16.7 million goes to the Debt Service fund.

Major Influences: Development, Assessor Appraisal Methodology, State Policy, Population Growth, and Policy Regarding Property Tax Rates

City Property Tax



Transient Lodging Tax



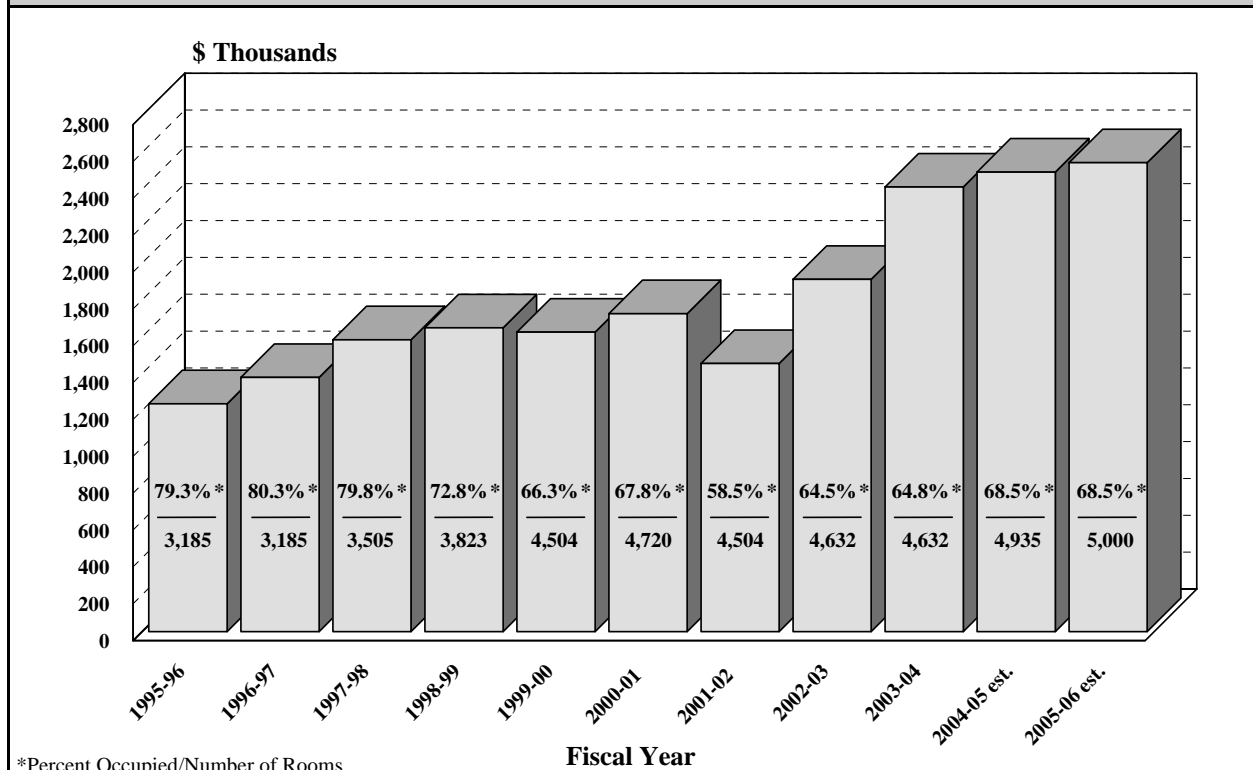
Restrictions	Fiscal Year	Amount	Percent Change
<p>Current rate of 3% can be increased only by electorate.</p> <p>Of the total amount collected, 2/3 is pledged to the Tempe Convention and Visitors Bureau (TCVB). Excess unrestricted proceeds are deposited into the General Fund, except for bed tax revenue generated within the Rio Salado Enterprise Zone, which is deposited to the Rio Salado Fund for operating costs of the Rio Salado Project.</p> <p>The tax originated in June of 1988 at 2% with half (or 1%) dedicated to TCVB. In FY 2001 voters approved an additional 1%, increasing the tax from 2% to 3%, with the entire 1% dedicated to TCVB.</p> <p>Account: 4002</p>	1995-96	1,236,458	6.6
	1996-97	1,379,301	11.6
	1997-98	1,584,138	14.9
	1998-99	1,649,000	4.1
	1999-00	1,625,300	(1.4)
	2000-01	1,725,597	6.2
	2001-02	1,454,927	(15.7)
	2002-03	1,911,752	31.4
	2003-04	2,413,099	26.2
	2004-05 est.	2,494,000	3.4
	2005-06 est.	2,545,000	2.0

Assumptions

The tax is imposed on businesses, who charge for lodging for any period of not more than 30 consecutive days. The increase in the revenue projection beginning in 2001 is reflective of a voter approved 1% increase rather than an increase in lodging structures or occupants. Given the landlocked boundaries of the City, it is anticipated that occupants and lodgings will remain relatively constant.

Major Influences: Economy, Competition from Hotels Located in Neighboring Cities, and Consumer Price Index

Transient Lodging Tax



Salt River Project In-Lieu Tax



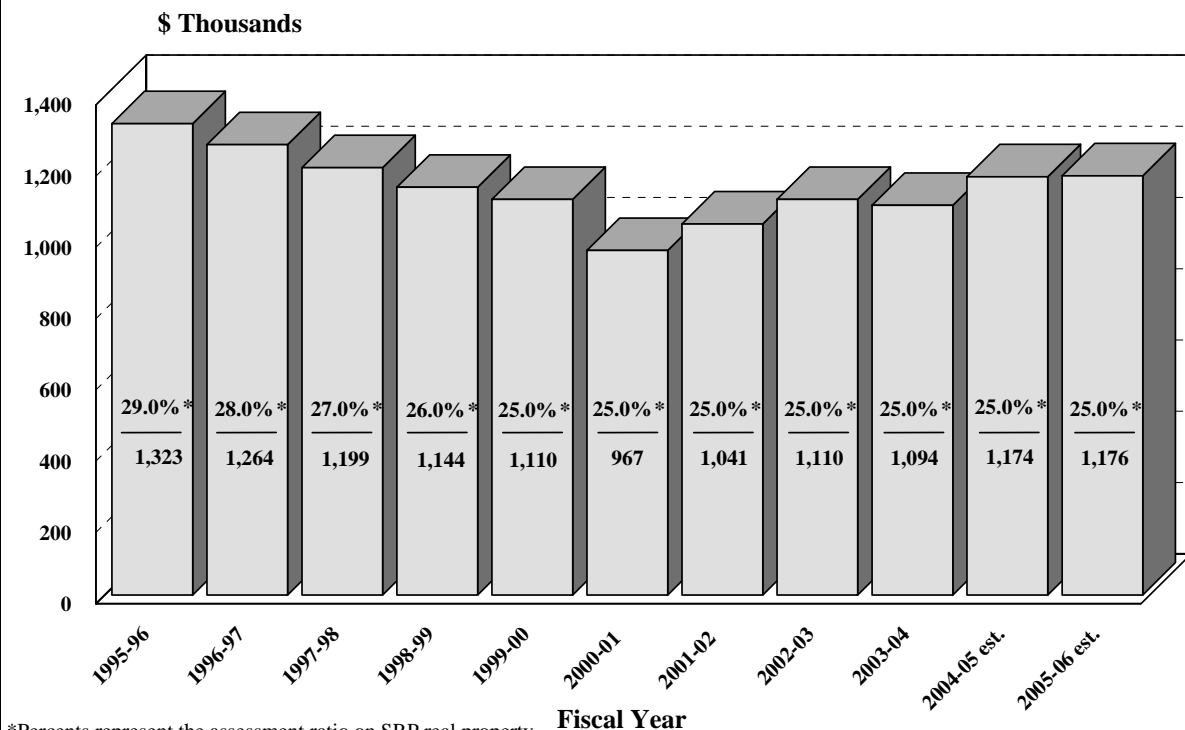
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage.	1995-96	1,322,950	(2.6)
	1996-97	1,263,705	(4.5)
	1997-98	1,199,458	(5.1)
	1998-99	1,144,363	(4.6)
	1999-00	1,110,420	(3.0)
	2000-01	967,193	(12.9)
	2001-02	1,041,291	7.7
	2002-03	1,110,403	6.6
	2003-04	1,094,665	(1.5)
	2004-05 est.	1,173,800	7.2
Account: 4015	2005-06 est.	1,176,495	0.2

Assumptions

As a government-operated public utility, the Salt River Project pays no franchise or property taxes. In lieu of these taxes, an amount is received from the utility based on a computation involving property location and plant investment. Proceeds from this revenue source are received through Maricopa County in June and December, and deposited into two different funds. For FY 05-06 it is estimated that \$500,000 will go to the General fund \$676,495 to the Debt Service fund. The SRP In-Lieu payment increase in FY 2005-06 reflects estimated assessed property value increases.

Major Influences: Real Property Value and State Policy (assessment ratio)

Salt River Project In-Lieu Tax



*Percents represent the assessment ratio on SRP real property.

State-Shared Sales Tax



Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1995-96	11,474,400	4.9
	1996-97	10,857,100	(5.4)
	1997-98	10,476,954	(3.5)
	1998-99	12,292,002	17.3
	1999-00	13,511,356	9.9
	2000-01	13,951,532	3.3
	2001-02	12,148,438	(12.9)
	2002-03	12,405,713	2.1
	2003-04	13,345,152	7.6
	2004-05 est.	14,074,950	5.5
	2005-06 est.	15,538,331	10.4
Account: 4204			

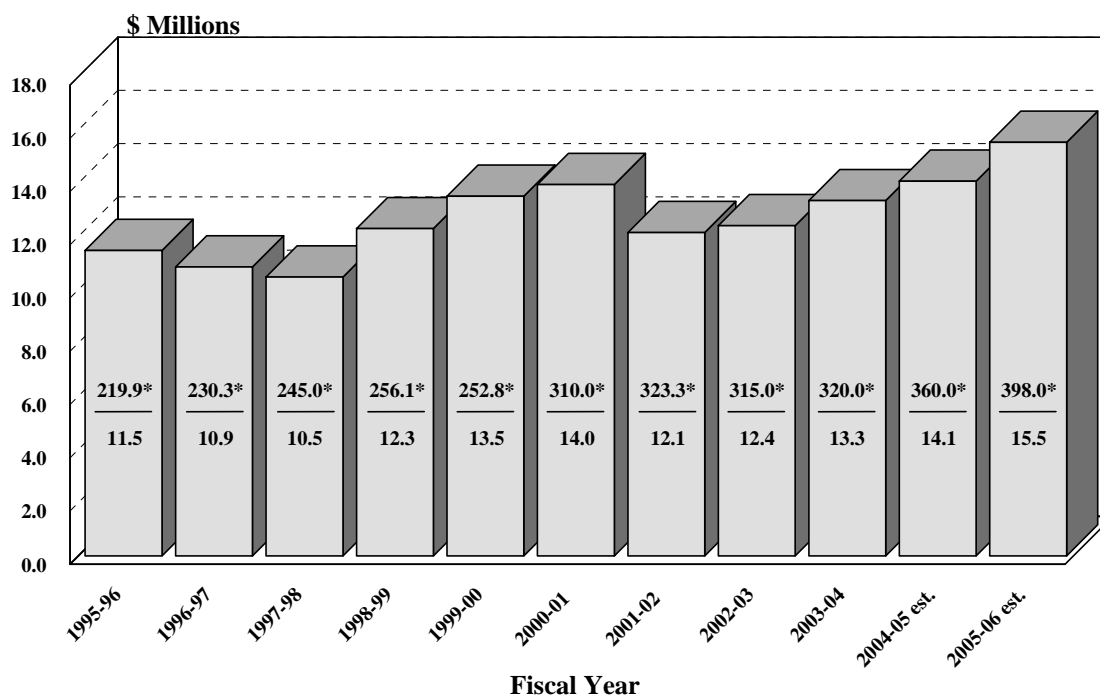
Assumptions

The state assesses a 5.6% sales tax, of which 2% is designated for educational purposes and 1% deposited in the State general fund. From the remaining 2%, cities and towns share in 25% of the collections total (estimated at \$398 million for FY 2005-06) on the basis of their population in relation to total state population. Prior to 2000, Tempe accounted for 4.5% of the state's population, but with the 2000 Census, Tempe's share fell to 4.0%. This reduction explains much of the decline in Tempe's state-shared sales tax revenue in FY 2001-02.

The projected increase of 10.4% is reflective of the strength of the state's economic recovery since the national recession.

Major Influences: Taxable Sales, Population (relative to State) and State Policy

State-Shared Sales Tax



*Total state-shared sales tax revenue pool for distribution to cities and towns (\$ in millions).

State-Shared Vehicle License Tax



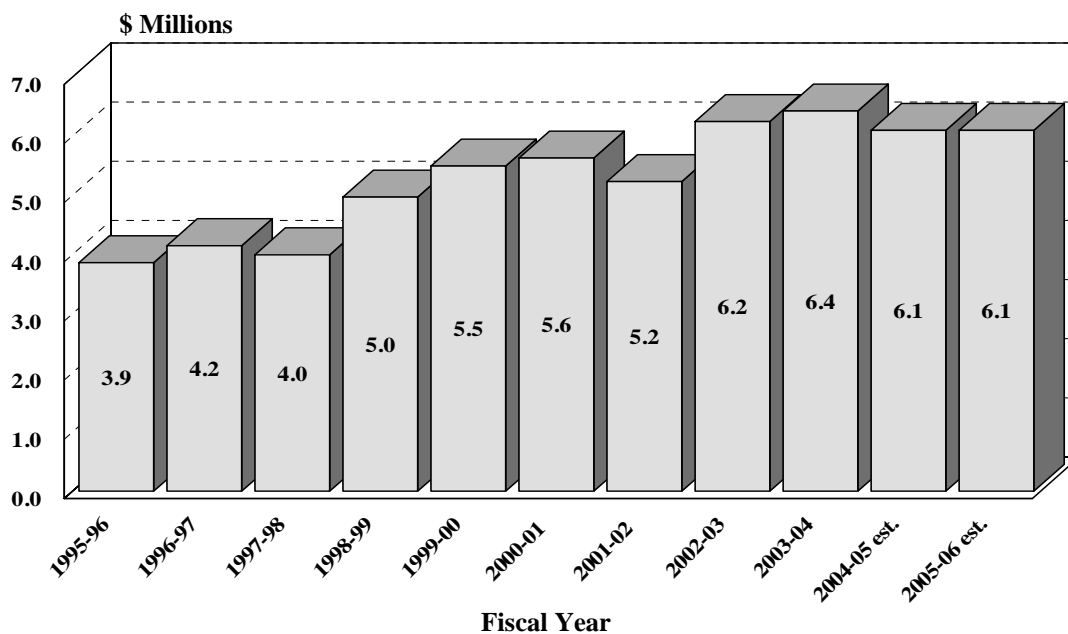
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose.	1995-96	3,863,003	(4.2)
	1996-97	4,150,865	7.5
	1997-98	3,997,411	(3.7)
	1998-99	4,971,529	24.4
	1999-00	5,497,492	10.6
	2000-01	5,632,181	2.5
	2001-02	5,233,512	(7.1)
	2002-03	6,247,543	19.4
	2003-04	6,428,101	2.9
	2004-05 est.	6,100,000	(5.1)
Account: 4214	2005-06 est.	6,100,000	0.0

Assumptions

Cities and towns receive 25% of the net revenue collected for vehicle licensing within their county. The respective shares are determined by the Cities' share of population in relation to total incorporated population of the county. The remainder of the revenue collected is shared by schools, counties, and the state. Prior to 2000, Tempe accounted for 4.5% of the state's population, but with the 2000 Census, Tempe's share fell to 4.0%. This reduction explains much of the decline in Tempe's vehicle license tax revenue in FY 2001-02. In FY 2005-06, the strength of the state's economy has offset the effect of the Census, but the City's near build-out of residential space for commuters will have a leveling effect on future revenue.

Major Influences: Population (relative to State), State Policy and Auto Sales

State-Shared Vehicle License Tax



State-Shared Income Tax



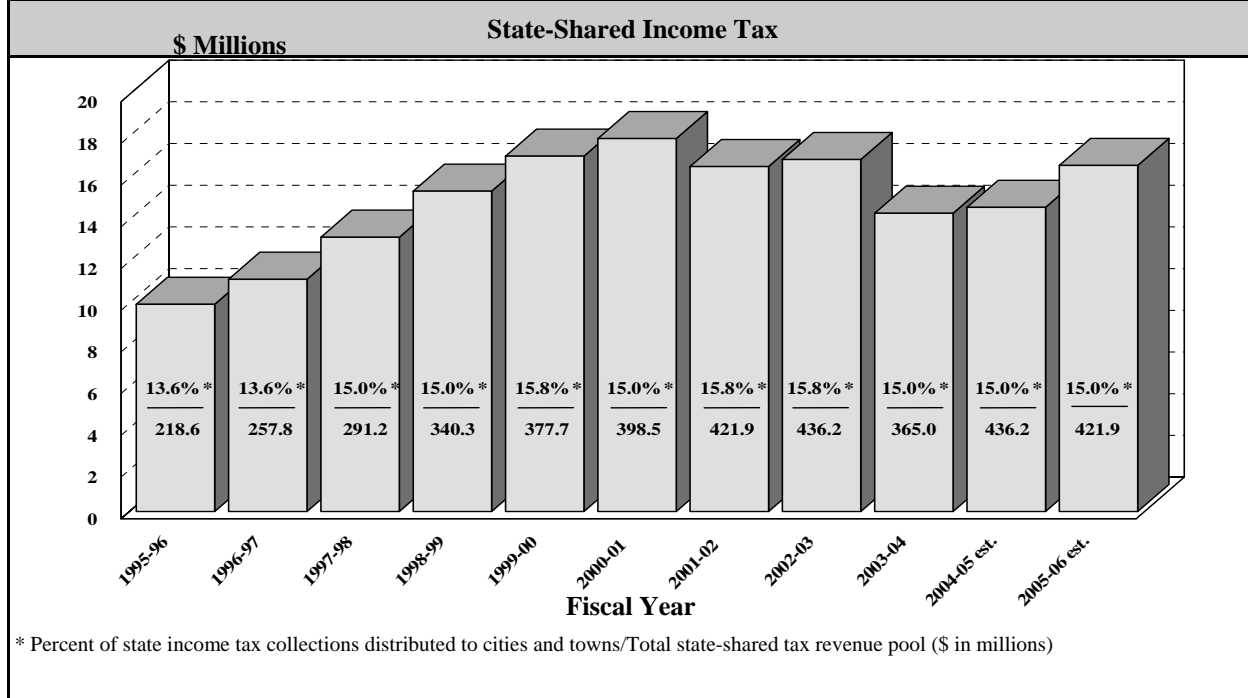
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage. Must be expended for a public purpose. ¹ During 1995, Governmental Accounting Standards Board (GASB) Statement No. 22 required revenue from taxpayer-assessed taxes to be recognized in the accounting period in which they become susceptible to accrual. This resulted in 13 months being recorded in FY 1994-95.	1995-96 ¹	9,939,946	(10.8)
	1996-97	11,139,519	12.1
	1997-98	13,158,548	18.1
	1998-99	15,361,479	16.7
	1999-00	17,045,903	11.0
	2000-01	17,890,338	5.0
	2001-02	16,544,791	(7.5)
	2002-03	16,882,535	2.0
	2003-04	14,303,004	(15.3)
	2004-05 est.	14,586,050	2.0
	2005-06 est.	16,601,376	13.8
Account: 4208			

Assumptions

The right to levy income taxes in Arizona is a state responsibility. Amounts distributed are based on actual income tax collections from two years prior to the fiscal year in which the City receives the funds. Originally, Arizona cities and towns were entitled to receive 15% of the State's income tax collections; but this percentage is at the legislature's discretion and has varied from 13.6% in FY 1992-93 to 15.8% in FY 1999-00. Currently, the state-shared revenue is at 15.0%.

This state-shared revenue is distributed to cities or towns based on the relation of their population to the total population of all incorporated cities and towns in the state. Prior to 2000, Tempe accounted for 4.5% of the state's population, but with the 2000 Special Census, Tempe's share fell to 4.0%. This accounts for the decline in FY 2001-02. The FY 2003-04 decrease followed the national downturn in the economy. The projected increase of 13.8% is reflective of the strength of the state's economic recovery from the national recession.

Major Influences: Personal Income, Corporate Net Profits, Population (relative to State) and State Policy



Charges for Services/Recreation and Social Services



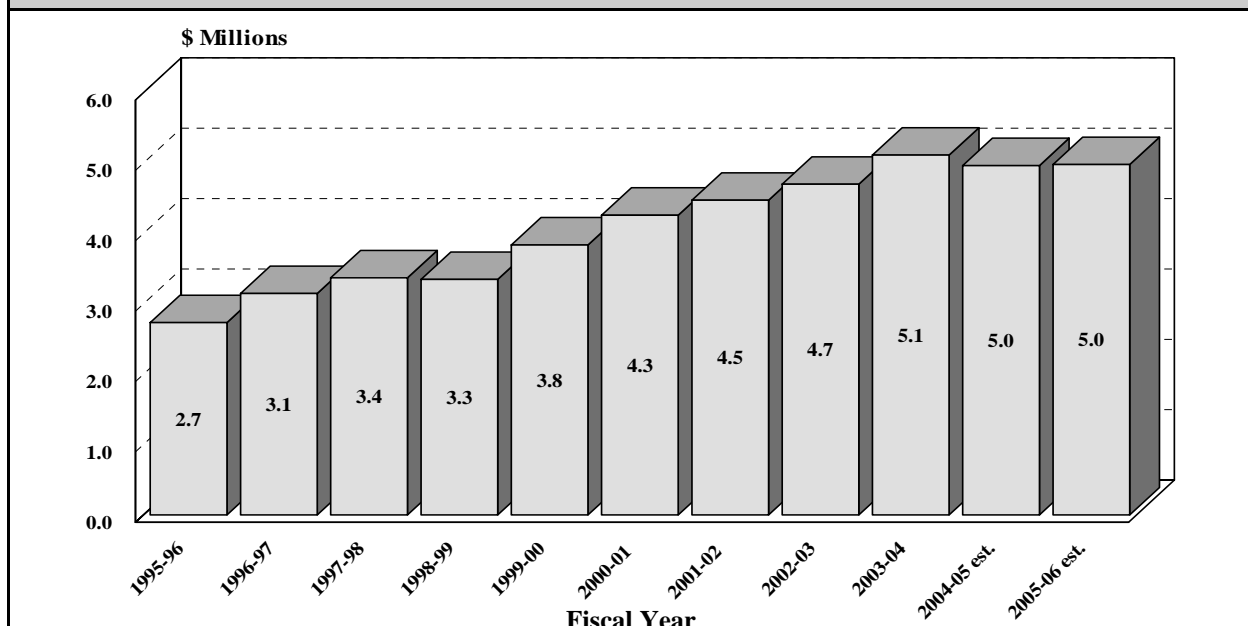
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage, but intended to defray costs of recreation and social service programs.	1995-96	2,732,022	8.2
	1996-97	3,145,907	15.1
	1997-98	3,369,509	7.1
	1998-99	3,345,728	(0.7)
	1999-00	3,836,700	14.7
	2000-01	4,258,777	11.0
	2001-02	4,471,110	5.0
	2002-03	4,699,196	(5.1)
	2003-04	5,113,578	8.8
	2004-05 est.	4,963,133	(2.9)
	2005-06 est.	4,978,896	0.3
Accounts: 4301-4315			

Assumptions

Revenue in this category is derived from a wide array of recreational activities (such as softball, swimming, and tennis) and social services programs (such as counseling services and after-school programs). By Council policy, many of these activities and services are partially or fully-funded through user charges. Fees are based on a targeted percentage for cost recovery of direct program operating costs, including wages and supply costs but excluding facility costs, administration, and capital outlay. The percentage of recovery of direct program costs is classified by user groups as follows: adult programs, 100% cost recovery; youth programs and senior programs, 50% cost recovery; and all Kiwanis Recreation Center classes/programs, 100% cost recovery.

Major Influences: Population, Cost Recovery Policy and New Program Development

Charges for Services/Recreation and Social Services



Charges for Services/Development Related



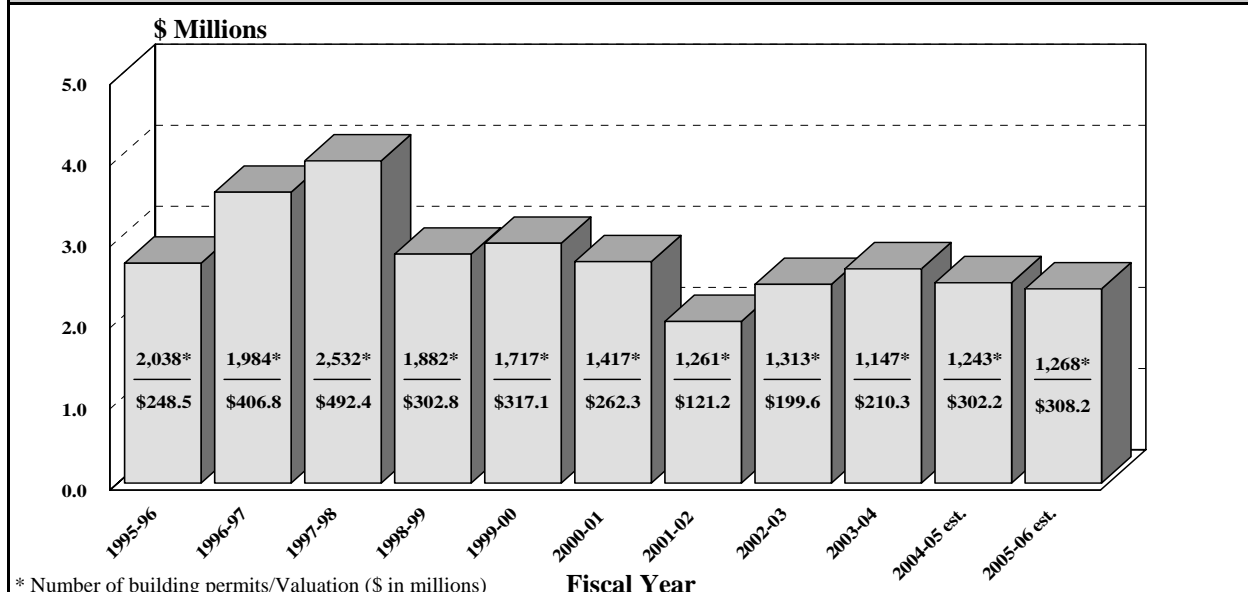
Restrictions	Fiscal Year	Amount	Percent Change
Intended to offset costs related to permitting and planning for residential and commercial development in the City.	1995-96	2,711,393	(5.2)
	1996-97	3,586,390	32.3
	1997-98	3,973,347	10.8
	1998-99	2,822,892	29.0
	1999-00	2,957,600	4.8
	2000-01	2,730,681	(7.7)
	2001-02	1,993,308	(27.0)
	2002-03	2,450,574	22.9
	2003-04	2,642,589	7.8
	2004-05 est.	2,470,550	(6.5)
Accounts:	2005-06 est.	2,394,500	(3.1)
4102-4112 (Building & Trade Permits)			
4401-4405, 4411-4413 (Engineering Fees)			
4406-4410, 4414-4418 (Planning & Zoning)			

Assumptions

Declines in development related permit revenue in the early 1990's were largely a function of slower population growth, a more stringent Tax Reform Act of 1986, and a downturn in both the economy and development. A new building permit and plan check fee structure was implemented in August 1991, while planning, zoning, and engineering fees were revised in FY 1992-93. The annual growth rates shown above reflect the sometimes extreme cyclical nature of development. Following a year that included permit revenue related to the new Arizona Mills Mall, FY 1998-99 saw a drop-off in development activity in all sectors, consistent with declining rates of growth county-wide. Much of the increase in FY 2002-03 is due to a fee/rate increase. The impact of this increase is moderated in recent years in light of development activity associated with a landlocked community.

Major Influences: Population, Tax Laws, Economy and Development

Charges for Services/Development Related



Fines and Forfeitures



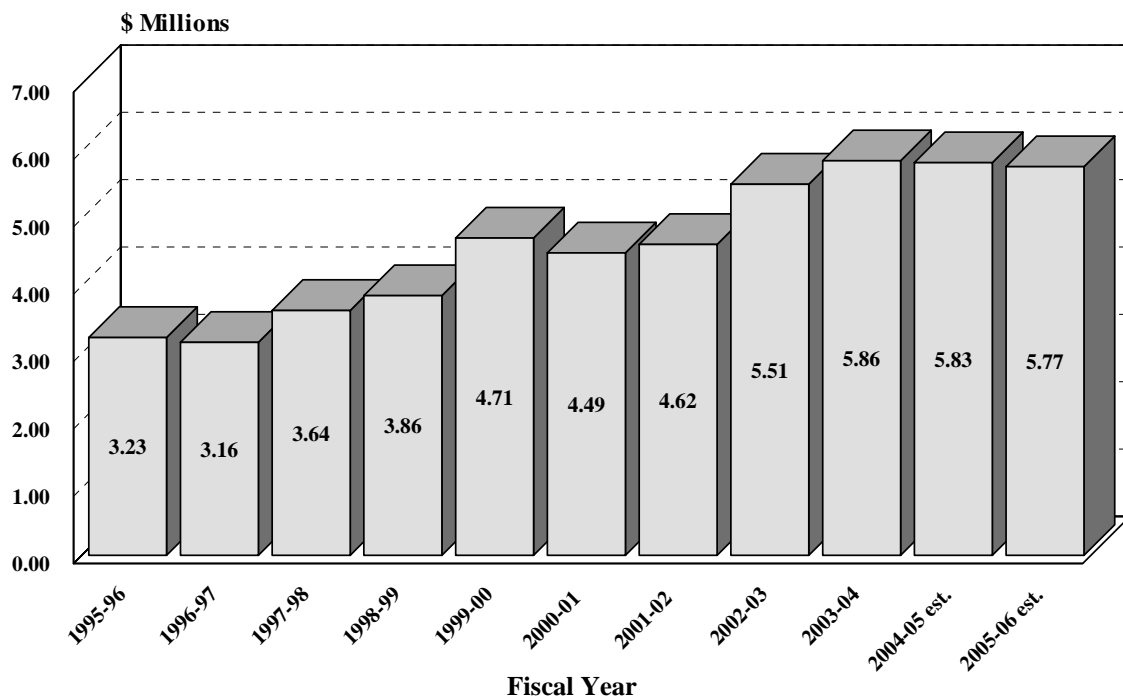
Restrictions	Fiscal Year	Amount	Percent Change
No restrictions on usage.	1995-96	3,234,571	10.8
	1996-97	3,162,253	2.2
	1997-98	3,636,208	15.0
	1998-99	3,856,034	6.1
	1999-00	4,709,700	22.1
	2000-01	4,489,939	(4.7)
	2001-02	4,615,379	2.8
	2002-03	5,510,475	19.4
	2003-04	5,858,482	6.3
	2004-05 est.	5,828,972	(0.5)
Accounts: 4601-4653	2005-06 est.	5,771,186	(0.9)

Assumptions

The fines and forfeitures revenue to the City derive from fines related to parking, traffic, criminal, animal control, defensive driving school, adult diversion, domestic violence, and false alarms, plus revenue from public defender reimbursements, forfeitures, and boot fees. Much of the FY 2001-02 increase is related to Council- approved increases in false alarm fines and alarm system registration fees and a police selective neighborhood traffic enforcement unit. Projected increases are based on enhanced collection efforts and rate changes.

Major Influences: Population, Crime Rate and Internal Policy (Enforcement, Number of Police Officers)

Fees, Fines and Forfeitures



Transit Tax



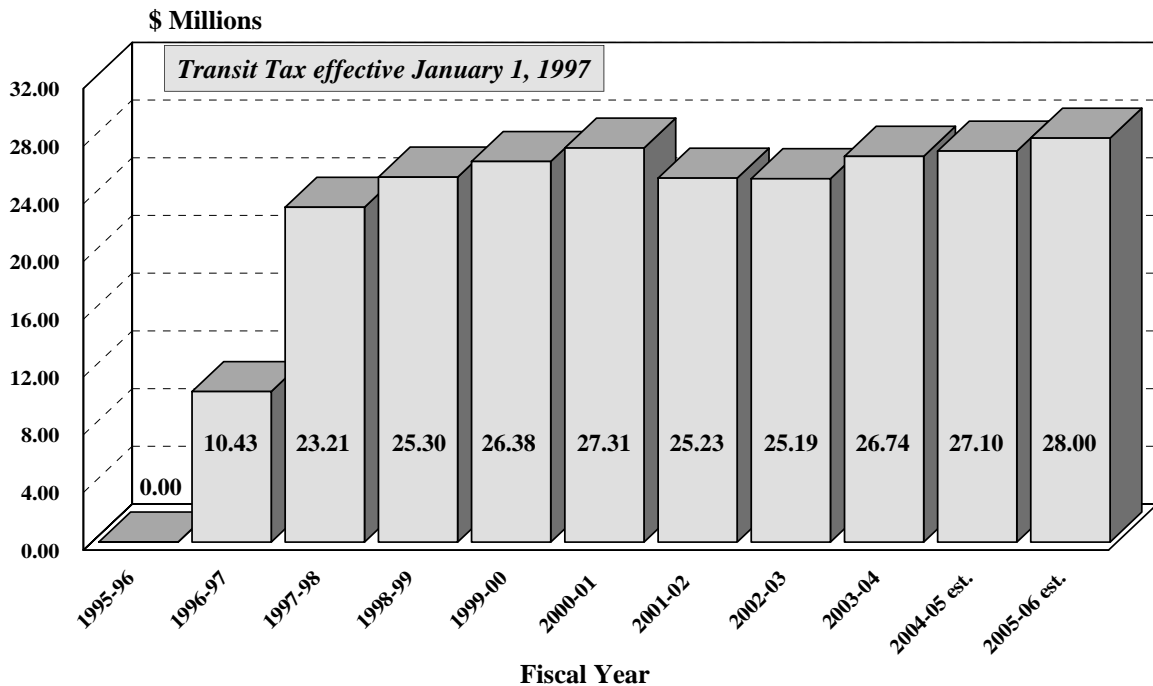
Restrictions	Fiscal Year	Amount	Percent Change
Represents a portion of the City sales tax dedicated by public vote to transit-related purposes, such as bus acquisition and maintenance, connecting bus routes to neighboring cities, bus stop construction, transit planning, and light rail construction.	1997-98	23,212,252	122.6
	1998-99	25,300,000	9.0
	1999-00	26,384,500	4.3
	2000-01	27,310,246	3.5
	2001-02	25,229,927	(7.6)
	2002-03	25,187,121	(0.2)
	2003-04	26,740,623	6.2
	2004-05 est.	27,102,000	1.4
Account: 4004	2005-06 est.	27,996,400	3.3

Assumptions

The Transit Tax represents 1/2 cent of the 1.8% City sales tax. The amount for transit was approved by Tempe voters in September 1996. The additional tax became effective January 1, 1997, thus the revenue for FY 1996-97 only reflects collections over the last half of the fiscal year. Although the estimate for FY 2005-06 mirrors our trend for overall City sales tax growth, it does slightly deviate due to nuances resulting from rebates and tax incentives.

Major Influences: Taxable Sales, Population and Consumer Price Index

Transit Tax



Performing Arts Tax



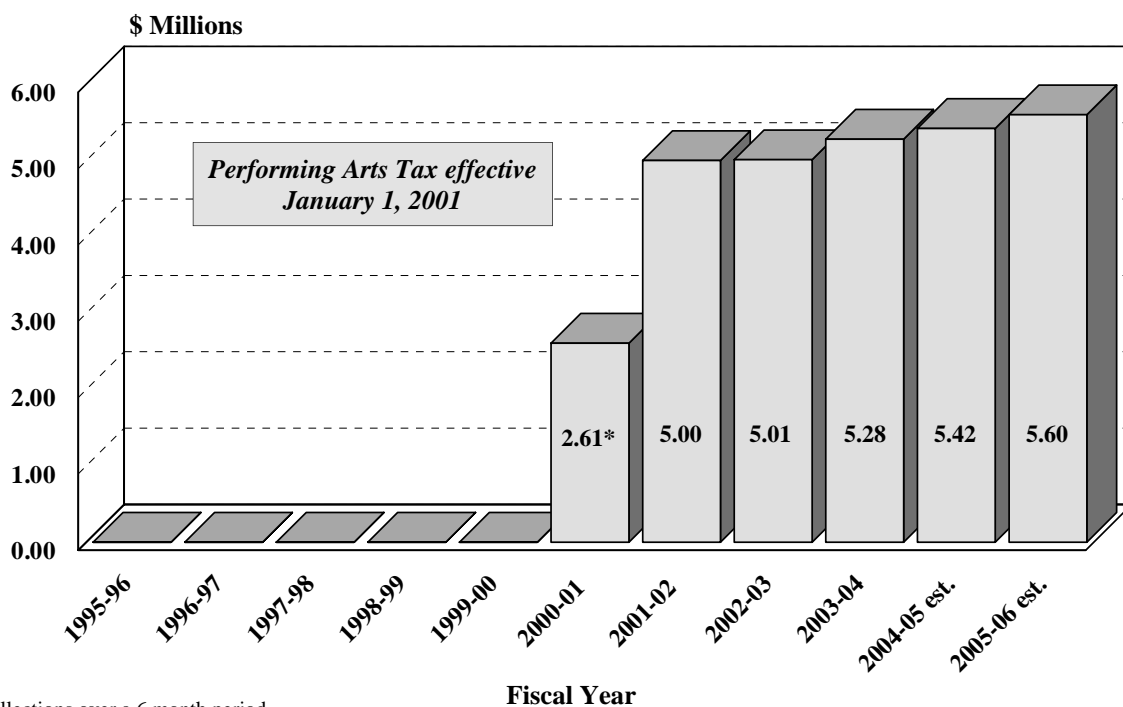
Restrictions	Fiscal Year	Amount	Percent Change
Represents a portion of the City sales tax dedicated by public vote for a Performing Arts center and related activities. *Collections over a 6 month period Account: 4005	2000-01*	2,607,541	-
	2001-02	4,999,984	91.2%
	2002-03	5,010,392	(0.2)
	2003-04	5,279,580	5.4
	2004-05 est.	5,420,000	2.7
	2005-06 est.	5,599,500	3.3

Assumptions

The Performing Arts Tax represents a voter-approved 0.1% increase to the 1.8% City Sales Tax. These funds are dedicated for construction and operation of the Tempe Center for the Arts. The tax for the performing arts was implemented in January 2001, therefore, FY 2000-01 reflects a partial year. Although the estimate for FY 2005-06 mirrors our trend for overall City sales tax growth, it does slightly deviate due to nuances resulting from rebates and tax incentives.

Major Influences: Taxable Sales, Population, and Consumer Price Index

Performing Arts Tax



* Collections over a 6 month period

Highway User Tax



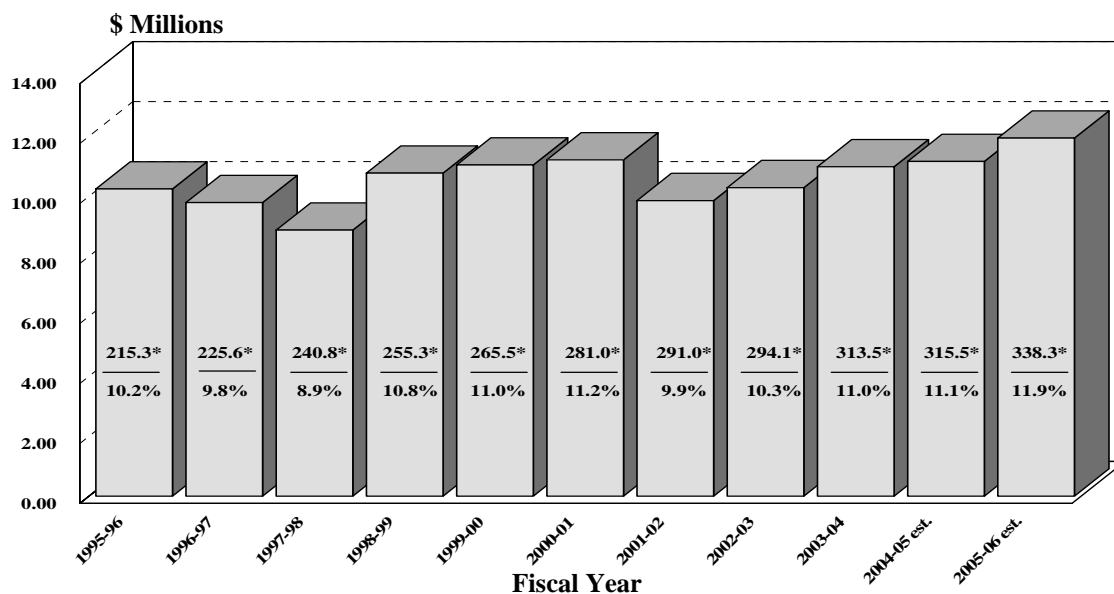
Restrictions	Fiscal Year	Amount	Percent Change
Proceeds can be used only for street and highway purposes including right-of-way acquisition, construction, reconstruction, maintenance, and payment of debt service on highway and street bonds. Account: 4206	1995-96	10,238,951	8.4
	1996-97	9,788,235	(4.4)
	1997-98	8,870,589	(9.4)
	1998-99	10,767,285	21.4
	1999-00	11,041,067	2.5
	2000-01	11,213,830	1.6
	2001-02	9,853,831	(12.1)
	2002-03	10,285,028	4.4
	2003-04	10,981,726	6.8
	2004-05 est.	11,160,663	1.6
	2005-06 est.	11,938,207	7.0

Assumptions

Highway User Revenue Fund (HURF) revenue is comprised primarily of a share of the state-imposed tax on fuel (18 cents per gallon), but also includes a portion of vehicle license taxes and other motor carrier permits and fees. Of the statewide total HURF revenue, 27.5% is distributed to cities and towns. Of this amount, one-half is distributed based on each city or town's percentage share of the statewide total population of all incorporated cities and towns. The remaining one-half is divided into county pools based on each county's share of statewide fuel sales. Within each county, cities and towns receive an allocation based on their percentage share of total incorporated population in the county. Reductions in FY 1996-97 and FY 1997-98 were the result of the 1995 Special Census, which placed Tempe at 4.5% of the state's population, down from the 5% share which resulted from the 1990 Census. The FY 2001-02 decline is a reflection of the 2000 Census, which resulted in Tempe's share again declining to 4.0%. The strength of the state's economy combined with continued state population increases have offset the effect of the Census.

Major Influences: Population, State Policy, Economy and Gasoline Sales

Highway User Tax



* Percent of state income tax collections distributed to cities and towns/Total state-shared tax revenue pool (\$ in millions)

Local Transportation Assistance Fund



Restrictions	Fiscal Year	Amount	Percent Change
Proceeds can be used only for street and highway projects, for any construction or reconstruction in the public right-of-way as well as transit programs.	1995-96	1,089,151	(1.7)
	1996-97	1,081,122	(0.7)
	1997-98	1,019,776	(5.7)
	1998-99	1,000,596	(1.9)
	1999-00	976,015	(2.5)
	2000-01	957,785	(1.9)
	2001-02	900,415	(6.0)
	2002-03	870,471	(3.3)
	2003-04	845,814	(2.8)
	2004-05 est.	821,152	(2.9)
	2005-06 est.	799,186	(2.7)
Account : 4212			

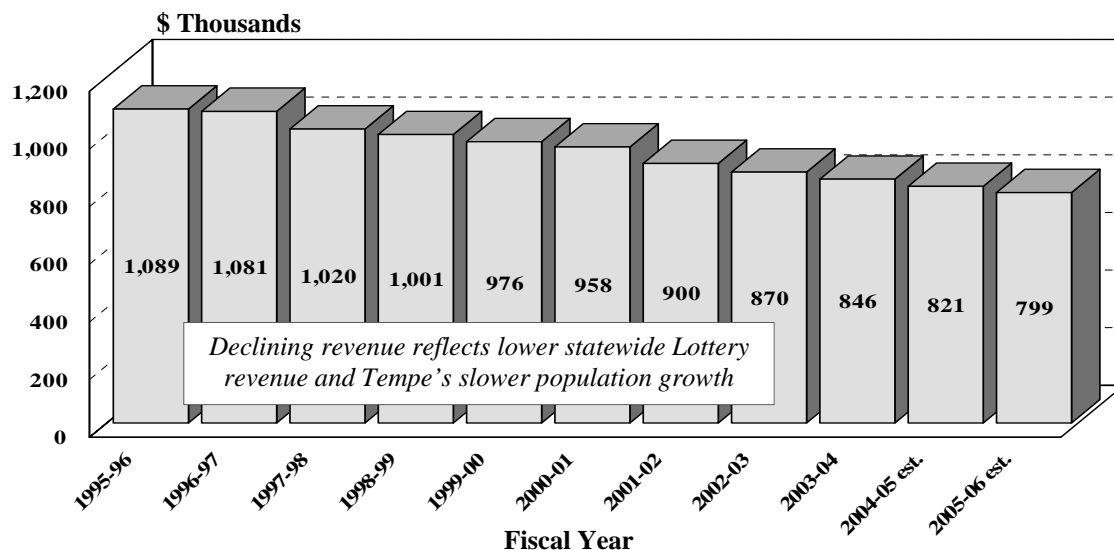
Assumptions

Revenue are derived from the state lottery game and the multi-state Powerball lottery game. By state statute, the state must distribute at least \$20.5 million annually to cities and towns from state lottery revenue, up to a maximum total distribution pool of \$23 million. Amounts distributed to cities and towns are based on their percentage share of statewide population as determined and updated annually by the state Department of Economic Security. Revenue derived from Powerball may be received only after the state first collects \$31 million from Powerball sales. If this threshold is reached, the state will distribute up to a total of \$18 million from Powerball revenue, dividing the pool into amounts based on each county's share of lottery ticket sales. Amounts from these county pools distributed to cities and towns are based on each city or town's share of incorporated population in the county.

Continued reductions in lottery revenue over the past 10 years reflect the overall decline in the total amount of funds available statewide for distribution. State lottery sales continue to suffer since the introduction of Powerball and casino-style gaming on Native American Reservations. Further exacerbating this problem is Tempe's declining share of statewide population.

Major Influences: Population (relative to State) and Lottery Ticket Sales

Local Transportation Assistance Fund



Community Development Block Grant/Section 8 Housing Grant



Restrictions

Community Development Block Grant (CDBG) funds are awarded by the federal government and may be used only for the rehabilitation of owner-occupied housing and the removal of "slum and blight". Section 8 Housing Grants, also federal funds, may be used only for rent and utility subsidies for low income persons.

Account : 4202

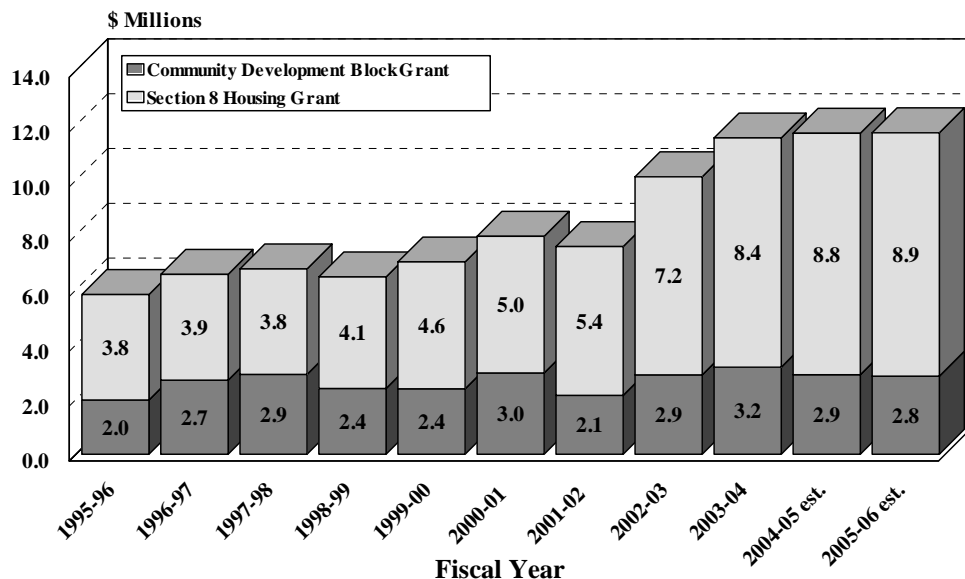
Fiscal Year	Community Development Block Grant		Section 8 Housing Grant	
	Amount	Percent Change	Amount	Percent Change
1995-96	1,980,305	23.0	3,846,066	3.4
1996-97	2,700,015	36.3	3,861,578	0.4
1997-98	2,915,622	8.0	3,843,309	(0.5)
1998-99	2,399,237	(17.7)	4,068,842	5.9
1999-00	2,390,100	(0.4)	4,624,100	13.6
2000-01	2,967,700	24.2	4,985,700	7.8
2001-02	2,148,750	(27.6)	5,427,291	8.9
2002-03	2,896,728	34.8	7,227,924	33.2
2003-04	3,174,654	9.6	8,364,970	15.7
2004-05 est.	2,901,168	(8.6)	8,811,193	5.3
2005-06 est.	2,849,008	(1.8)	8,882,632	0.8

Assumptions

Funding levels in both programs are based on a federal formula which reflects local factors such as the percentage of people living in poverty, unemployment, population, age of existing housing, and the need for housing.

Major Influences: Federal Policy, Poverty Levels and Population

Community Development Block Grant/Section 8 Housing Grant



Water/Wastewater User Fees



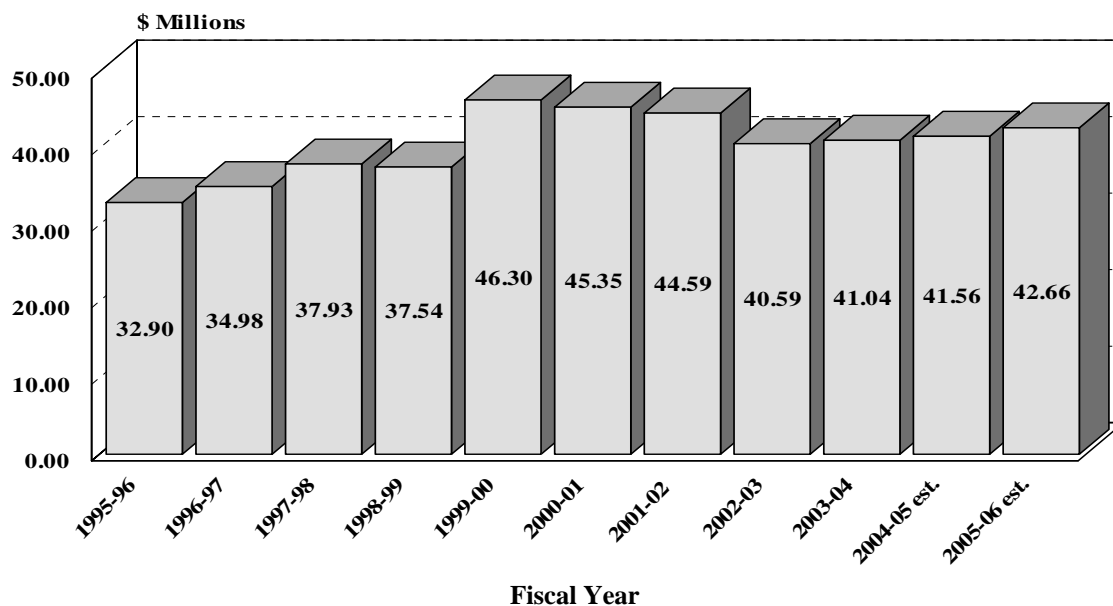
Restrictions	Fiscal Year	Amount	Percent Change
Fees can only be used to support the Water/Wastewater enterprise. Accounts: 4282, 4284, 4821-4831, 4834-4842	1995-96	32,895,352	(0.7)
	1996-97	34,979,993	6.3
	1997-98	37,928,781	8.4
	1998-99	37,540,000	(1.0)
	1999-00	46,296,100	23.3
	2000-01	45,349,960	(2.0)
	2001-02	44,591,306	(1.7)
	2002-03	40,586,501	(9.0)
	2003-04	41,037,476	1.1
	2004-05 est.	41,560,201	1.3
	2005-06 est.	42,661,141	2.6

Assumptions

Water/Wastewater revenue is derived from fees and service charges assessed to residential and commercial customers of the City's water and wastewater systems. Revenue also includes charges to the City's residential irrigation customers. Over the past few years, both water and sewer rates have been adjusted to address increased costs resulting from inflation, debt service on capital projects, and environmental regulation compliance. The most recent fee adjustment went into effect on November 1, 2004. Water rates were increased by 4%, irrigation rates were increased by 9%, and sewer rates for residential customers increased by 7.5%. Sewer rates for commercial and industrial customers increased as well in accordance with a new wastewater rate structure based on strength and volume of discharge.

Major Influences: Population, Internal Policy, Water Consumption Patterns and Weather

Water/Wastewater User Fees



Solid Waste Fees



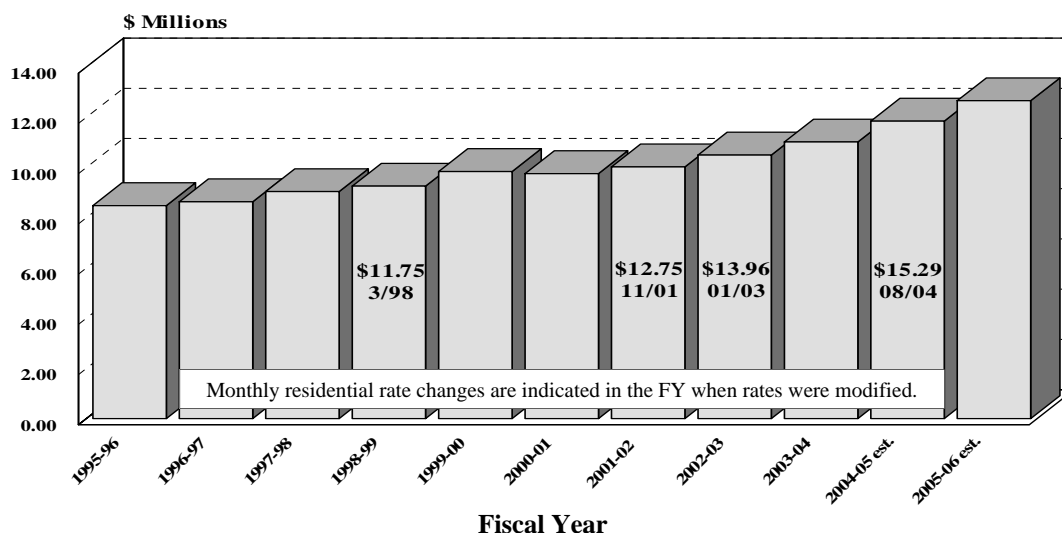
Restrictions	Fiscal Year	Amount	Percent Change
Used to defray costs of providing solid waste collection and disposal service.	1995-96	8,484,046	5.5
	1996-97	8,636,576	1.8
	1997-98	9,039,504	4.7
	1998-99	9,256,680	2.4
	1999-00	9,840,100	6.3
	2000-01	9,758,199	(0.8)
	2001-02	10,024,863	2.7
	2002-03	10,496,774	4.7
	2003-04	11,014,949	4.9
	2004-05 est.	11,848,480	7.6
	2005-06 est.	12,659,440	6.8
Accounts: 4251-4259			

Assumptions

The collection and disposal of solid waste constitutes the City's second largest enterprise operation. Revenue derives from user fees for residential, commercial, roll-off, and uncontained solid waste service. As the graph below indicates, residential solid waste fees were increased four times starting in FY 1998-99 to address increased landfill and recycling costs. Most recently, residential rates were increased in August 2004 to address projected shortfalls in the Solid Waste Fund. Solid waste fees are reviewed annually to determine if the fee structure will generate sufficient revenue to cover fund operating expenses and provide a reserve for capital expenditures and contingencies.

Major Influences: Population, Internal Policy, and Commercial Market/Competition

Solid Waste Fees



Golf Course Fees



Restrictions

Revenue is used to defray costs of operating the Rolling Hills and Ken McDonald golf courses.

Fiscal Year	Rolling Hills		Ken McDonald	
	Amount	Percent Change	Amount	Percent Change
1995-96	1,016,217	23.2	1,156,946	6.5
1996-97	1,051,586	3.5	1,294,228	11.9
1997-98	994,964	(5.4)	1,237,961	(4.4)
1998-99	997,000	0.2	1,246,000	0.7
1999-00	882,082	(11.5)	1,060,418	(14.9)
2000-01	840,000	(4.8)	1,018,500	(4.0)
2001-02	767,285	(8.7)	1,006,532	(1.2)
2002-03	806,588	5.1	1,119,184	11.2
2003-04	847,844	5.1	1,172,288	4.7
2004-05 est.	870,000	2.6	1,201,635	2.5
2005-06 est.	870,000	0.0	1,203,194	0.1

Assumptions

Revenue from greens fees account for nearly 87% of golf course revenue, with the rest coming from lease agreements with the pro shops and restaurant concessionaires. Our projection conservatively assumes minimal growth in revenue, particularly in light of the volatility that can result from weather conditions or fee changes.

Major Influences: Competition from Other Golf Courses, Weather, and City Fee Policy

Golf Course Fees

